

15P226

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Name.....

Reg. No.....

**SECOND SEMESTER M.A. DEGREE EXAMINATION, JULY 2016**

(CUCSS)

(Economics)

**CC 15P ECO2 C06 - MACRO ECONOMICS: THEORIES AND POLICIES -II**

(2015Admission)

Time: Three Hours

Maximum: 36 Weightage

**PART A (Multiple Choice Questions)**

(Answer all questions. Each question carries ¼ weightage)

1. Investment multiplier was introduced by:  
(a) Hansen  
(b) Keynes  
(c) R F Khan  
(d) Samuelson
2. The relationship between rates of taxation and the resulting levels of government revenue is represented in:  
(a) Offer curve  
(b) Laffer curve  
(c) Phillips curve  
(d) Lorenze curve
3. If  $U^*$  is the NAIRU and  $U$  is the actual unemployment rate, the theory says that, if  $U < U^*$  for a few years:  
(a) Inflationary expectations rise  
(b) Inflationary expectations fall  
(c) Inflationary expectations remains the same  
(d) None of these
4. Demand pull inflation leads to:  
(a) Increase in profit  
(b) Decrease in profit  
(c) Constant profit  
(d) Indeterminate
5. Aggregate supply curve in classical theory is:  
(a) Vertical  
(b) Horizontal  
(c) Downward slopping  
(d) Upward slopping.
6. Rational expectationists hold that government regulations are:  
(a) Ineffective  
(b) Highly effective  
(c) Effective only in short run  
(d) effective only in the long run.
7. The pioneering work in the adaptive expectation hypothesis was carried by:  
(a) Cagan  
(b) Muth  
(c) Lucas  
(d) Wallace

8. According to monetarists, in the long run, Philip curve is:
- |                      |                     |
|----------------------|---------------------|
| (a) Vertical         | (b) Horizontal      |
| (c) Downward sloping | (d) Upward sloping. |
9. Using monetary policy for stabilization was advocated by:
- |                   |                    |
|-------------------|--------------------|
| (a) Neoclassicals | (b) New Keynesians |
| (c) Monetarists   | (d) Keynesians     |
10. The over investment theory is associated with:
- |             |              |
|-------------|--------------|
| (a) Hayek   | (b) Haberler |
| (c) Hawtrey | (d) Minsky   |
11. Increase in unemployment and inflation is called:
- |                 |                     |
|-----------------|---------------------|
| (a) Stagflation | (b) Hyper inflation |
| (c) Reflation   | (d) Deflation       |
12. The economist who constructed a multiplier-accelerator trade cycle model:
- |              |                |
|--------------|----------------|
| (a) Hayek    | (b) Samuelson  |
| (c) Nordhuas | (d) Schumpeter |

(12×¼ = 3 weight)

#### **PART B (Very Short Answer Questions)**

(Answer any **five** questions. Each five question carries **1** weightage)

13. NAIRU.
14. Wage rigidity.
15. Small menu cost model.
16. Phases of a trade cycle.
17. Underemployment equilibrium.
18. Flexible exchange rate.
19. Imperfect capital mobility.
20. Okun's law.

(5×1 = 5 weight)

#### **PART C (Short Answer Questions)**

(Answer any **eight** questions. Each carries a weightage of **2**)

21. What are the costs of inflation?
22. Explain the search theory.
23. Describe the over investment theory of Hayek.
24. Describe the DSGE model.
25. Explain rational expectation hypothesis.
26. Describe Lucas surprise supply function.
27. Explain the structuralist theory of inflation.
28. State and explain the anti-inflationary measures.

29. Explain Mundell-Felming Model.  
30. Explain the case of perfect capital mobility.  
31. Explain Laffer curve.

(8×2 = 16 weightage)

**PART D (Essay Questions)**

(Answer any **three** questions. Each question carries **4** weightage)

32. Explain the major contributions of supply side macroeconomics.  
33. Compare Keynesian labour market equilibrium and Neo-Classical labour market equilibrium.  
34. Critically examine Schumpeter's theory of innovation as the explanation of cyclical fluctuations.  
35. Illustrate short run and long run Phillips curve. Analyse their policy implications.  
36. Explain the relative effectiveness of monetary policy in an open economy.

(3×4 = 12 weightage)

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